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## Korea, Republic of

### Product Brief

### Korean Grapefruit Market Brief

### 2005

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**Report Highlights:**

In CY 2005, it is forecast that Korea will import 1,650 metric tons of U.S. grapefruit, a 6.2 percent decrease from the previous year due mainly to the short supply in Florida. Korea has no domestic grapefruit production and the U.S. has no competitors in this market.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Seoul ATO [KS2]  
[KS]

## SECTION I. MARKET OVERVIEW

In CY 2005, it is forecast that Korea will import 1,650 metric tons of U.S. grapefruit, a 6.2 percent decrease from the previous year due mainly to the short supply in Florida. Korea has no domestic grapefruit production and the U.S. has no competitors in this market.

Korean sources indicate that grapefruit consumption is on the rise; however the lack of supply from the U.S. and the corresponding increase in prices have dampened demand.

Grapefruit from Hawaii, Texas and Florida are prohibited into Korea due to the Caribbean fruit fly; however, Florida has a special protocol, "The Protocol for the Shipment of Florida Citrus Fruit to Korea" that was agreed upon by the U.S. Animal and Plant Health Inspection Service (APHIS) and the Korean Ministry of Agriculture and Forestry (MAF), which does allow for the importation of grapefruit from that state only.

Advantages	Challenges
Korea has no domestic grapefruit production.	Korea produces a wide range of domestic citrus and other fruit products.
The U.S. has no competitors in the fresh grapefruit market.	U.S. supply is insufficient to meet current Korean demand.
Consumers are interested in purchasing fresh fruits that are beneficial to their health.	The tariff on grapefruit is 30 percent.

## SECTION II. MARKET SECTOR OPPORTUNITIES AND THREATS

Most of the major retail companies in Korea are horizontally integrated and operate a variety of different retail formats, encompassing department stores, hypermarkets, supermarkets, convenience stores, and on-line shopping. For example, Lotte Shopping Co. Ltd. has under its umbrella "Lotte" Department Stores, "Lotte Mart" hypermarkets, "Lotte Lemon" supermarkets, "Seven Eleven" convenience stores, and "Lotte.com" Internet shopping mall. This integration is aimed at achieving better economy of scale and market coverage. Entry into one section of an integrated retailer can easily lead to an access to the whole system.

### 1. Entry Strategy

The current best strategy for entering the retail market is to contact and work with an established importer as few retailers import directly. This may change in the future, as mass retailers are increasingly interested in seeking ways to increase direct imports.

? Established importers should be able to provide market intelligence, up-to-date information, guidance on business practices and trade related regulations, sales contacts with existing and potential buyers, and market development expertise.

? The type of contract between the importer and exporter varies from joint investment partnership to exclusive agent-ship to non-binding broker-ship mainly depending on how the exporter sees the role of the importer in market development. The most common practice is maintaining a non-binding seller-buyer relationship during the test-market period and then upgrading to a more binding option if the market shows bigger potential.

? There are many things that the U.S. exporter should follow closely with the importer during the initial stage of export. The Korean government maintains very strict regulations on food

imports and requires various certificates/documents before import clearance. Therefore, the exporter must provide the importer with necessary documents and information to submit to the government.

The amount of time taken from looking for an importer to finally getting the product in the store in Korea may vary. Again, the key is meeting the right partner.

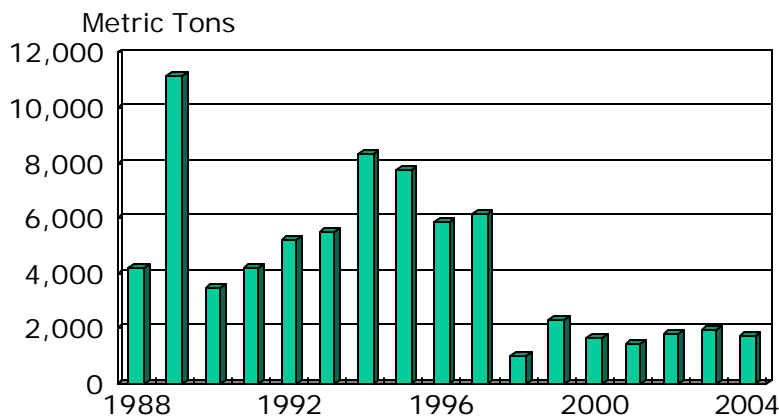
Attending a Korean food show could be a time and cost saving way to gain access to the Korean food trade from importers to retail operators to media. Currently, Food & Hotel Korea, a trade-only international food show, is the only event that FAS/USDA has endorsed in Korea.

The U.S. Agricultural Trade Office (ATO) in Seoul also maintains a current list of grapefruit and produce importers and has on-going marketing activities that provide new-to-market U.S. food exporters with an opportunity to meet important players in the Korean food trade. Contacting the ATO is highly recommended for new-to-market U.S. exporters who seek opportunities in the food retail market in Korea.

## 2. Market Size, Structure, Trends

Fresh grapefruit is imported mostly for retail sale. Grapefruit juice is imported separately and not manufactured locally.

### Korean Imports of U.S. Grapefruit



Source: Korean Trade Information Service (KOTIS)

Grapefruit has a somewhat unique history in Korea. In 1989, a Korean consumer group, known as the Citizen's Alliance, collected samples of imported fruits and vegetables, including U.S. grapefruit, for the purpose of testing them for Alar. Although lab tests indicated that "less than 0.5 ppm of Alar were found on the fruit" (since the lab equipment that was used for the tests were unable to test accurately below the 0.5 ppm level), a local daily newspaper misread the results and stated that "more than 0.5 ppm of Alar were found on the fruit." This misrepresentation led to a national media campaign stating that Alar was found on U.S. grapefruit. Almost immediately, Korean consumers reacted by returning their

purchased grapefruit to the stores. Korean importers cancelled orders and urged U.S. shippers to divert fruit already in transit to other markets.

Korean imports reached a peak in 1989 at 11,171 metric tons. In 1998, in addition to the Asian financial crisis, which resulted in a drastic reduction of almost all imports; the orange market was liberalized, significantly reducing the consumption of grapefruit. Since that time the volume of U.S. grapefruit imports has rebounded only slightly, yet appears to be fairly stable at just below 2,000 metric tons. Currently, there are six main importers of grapefruit and all indicated that the constraint is not the lack of demand, but the short supply from the U.S.

The large volume of U.S. grapefruit exported to Japan may well indicate a similar opportunity in Korea. Both countries are fairly similar in terms of their food tastes. Japan will continue to be an important market for U.S. grapefruit; however, in 2005 the reduced U.S. production and corresponding increase in prices may have a bigger impact on exports to Japan than to Korea. In the past, Korean preference has been for Florida grapefruit (mostly pink), as they are perceived to be of higher quality.

Depending on the availability of fruit from Florida in the coming season, a small amount of promotional activity, such as in-store sampling, may provide a substantial increase in consumption.

Although some produce managers believe the consumption of oranges directly competes with grapefruit, many do not. Grapefruit is perceived to be an entirely different fruit by most consumers as the taste is quite different. Many consumers think of grapefruit as a diet and health fruit.

### 3. Company Profiles

Company Name	Telephone/Email Contact Info	Contact	Sector
Global Trading Co., Ltd.	011 822 408-0193	Kim, Myung-Kyu	Retail
Fruteria Inc.	fruteria@hanmail.net	Kim, Won-Jung	Retail
K.P.C.I. & C. Co., Ltd.	011 822 2043-3491	Hong, Young Soo	Retail
Samjoo Marketing Inc.	samjoomktg@netsgo.com	Shim, Jae-Bum	Wholesale
Sooil Commerce and Transport, Inc.	sooil@soback.kornet21.net	Suk, Soo-Kyung	Retail
COSTCO	011 822 2630-2722/2600	Steve Pappas	Retail/Wholesale

## SECTION III. COSTS AND PRICES

### 1. Tariffs

The current tariff on grapefruit is 30 percent. It was reduced from 50 percent during the last Uruguay Round. Since there is no Korean production, the potential exists for further tariff reductions during subsequent rounds. The Korean Ministry of Agriculture and Forestry (MAF)

has indicated that they will entertain no additional tariffs cuts until the next agricultural round.

Korea is also interested in an FTA with the United States. Working groups have met to discuss this possibility; however, no formal discussions have occurred.

## 2. Costs in Securing Retail Store Shelf Space

The amount of slotting fee that a retail store would charge for adopting a new product varies depending on the market potential of the product. Local retail stores are eager to add new products to their shelves as they strive to meet the consumer's strong demand for new tastes, but at the same time are very concerned about the risk of carrying something new to the market. That is why local retailers often ask for promotional support instead of slotting fees for new products. Promotional support includes in-store advertisement, in-store free sampling, and other point of purchase (POP) sales promotions such as sweepstakes, coupons, and games. Free sampling is the most common tactic used as it costs less than others and is easier to administer. In-store promotions are highly recommended for launching new products since local consumers readily make buying decisions based on in-store education and experience.

## 3. Prices and Markups

The average wholesale price has been \$16-17 per carton CIF Busan. The markup will depend on the market situation. Retail prices range from 1,500 to 2,000 KRW per head. (The current exchange rate is 1018 KRW = 1 USD.)

### Average Auction Prices for Imported Grapefruit

Unit: Korean Won per 18-kilogram box

Month	High Quality			
	2002	2003	2004	2005
January	32,100	24,000	22,196	49,220
February	30,452	25,318	23,792	44,381
March	31,019	28,615	27,000	40,352
April	31,596	37,827	27,000	39,462
May	35,667	43,500	33,577	41,192
June	28,460	35,460	36,000	40,731
July	25,315	28,704	33,926	39,000 <sup>1</sup>
August	23,519	35,000	31,654	
September	29,261	35,000	30,000	
October	50,333	35,000	31,423	
November	48,231	NA	33,192	
December	29,500	30,346	44,778	

Source: Seoul Agricultural & Marine Products Corporation

1. July price is actually the July 27<sup>th</sup> spot price.

## SECTION IV. MARKET ACCESS

Imported fresh grapefruit must be accompanied by a phytosanitary certificate (PPQ Form 577) issued by USDA's Animal and Plant Health Inspection Service. The phytosanitary certificate must be issued prior to the departure of the shipment. It is recommended to contact the Korean National Plant Quarantine Service prior to exporting to determine if there are any other requirements.

## SECTION V. KEY CONTACTS AND FURTHER INFORMATION

### U.S. Agricultural Trade Office

Korean Address:	Room 303, Leema Building 146-1, Susong-dong, Chongro-ku, Seoul, Korea
U.S. Mailing Address:	U.S. Embassy Seoul, Unit 15550-ATO APO, AP 96205-5550
Telephone: 822 397-4188	Fax: 822 720-7921
E-mail: <a href="mailto:atoseoul@usda.gov">atoseoul@usda.gov</a>	Website: <a href="http://www.atoseoul.com">www.atoseoul.com</a>

### Agricultural Affairs Office

Korean Address:	U.S. Embassy, 32, Sejong-ro Chongro-ku, Seoul, Korea
U.S. Mailing Address:	U.S. Embassy Seoul, Unit 15550-AgAff APO, AP 96205-5550
Telephone: 82-2 397-4297	Fax: 82-2 738-7147
E-mail: <a href="mailto:agseoul@usda.gov">agseoul@usda.gov</a>	

For further information about sanitary and phytosanitary requirements, please contact:

### USDA, Animal Plant and Health Inspection Service (APHIS)

Korean Address:	Room 303, Leema Building 146-1, Susong-dong, Chongro-ku, Seoul, Korea
U.S. Mailing Address:	U.S. Embassy Seoul, Unit 15550-Aphis APO, AP 96205-5550
Telephone: 82-2 725-5495	Fax: 82-2 725-5496
E-mail: <a href="mailto:aphis@kornet.net">aphis@kornet.net</a>	Website: <a href="http://www.aphis.usda.gov">www.aphis.usda.gov</a>

U.S. Address:	USDA, APHIS, PPQ 4700 River Road, Unit 140, Suite C-35 River Dale, MD 20737
Telephone: 301-734-6653	Fax: 301-734-7639

For more information about the Korean market for citrus, please review the Korean Citrus Annual (KS4060) and for more information about exporting to the Korean market, please review the Exporter Guide (KS4053) at

<http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp>.

**Additional information about grapefruit can be found at the Foreign Agricultural Service's Horticultural and Tropical Products Division homepage**

[http://www.fas.usda.gov/http/horticulture/stone\\_fruit.html](http://www.fas.usda.gov/http/horticulture/stone_fruit.html).

General information about the Foreign Agricultural Service can be found at

<http://www.fas.usda.gov>.